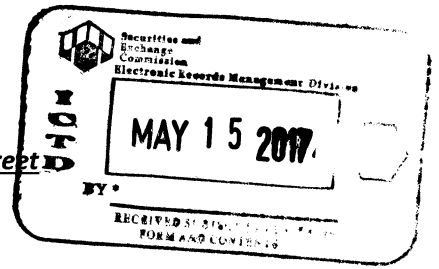




**ARTHALAND CORPORATION**  
(Company's Full Name)

8/F Picadilly Star Building, 4th Avenue corner 27th Street  
Bonifacio Global City, Taguig City  
(Company's Address)



403-6910  
(Telephone Number)

2016 - December 31  
(Fiscal year ending)  
(month & day)

Last Friday of June  
(Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT  
(Form Type)

Amendment Designation (If applicable)

March 31, 2017  
(Period Ended Date)

\_\_\_\_\_  
(Secondary License Type & File Number)

\_\_\_\_\_  
LCU

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(Cashier)

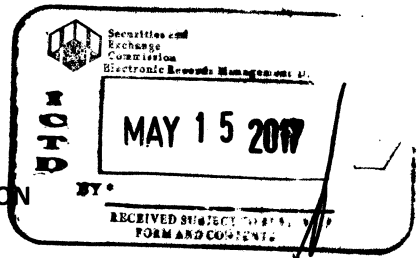
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ASO-94-007160  
(SEC Number)

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Central Receiving Unit

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File Number

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Document I.D.



SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE  
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended March 31, 2017

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

**ARTHALAND CORPORATION**

5. Incorporated in Metro Manila, Philippines on August 10, 1994.

6. Industry Classification Code \_\_\_\_\_.

7. Address of registrant's principal office

Postal Code

**8/F Picadilly Star Building, 4th Avenue corner 27th Street,  
Bonifacio Global City, Taguig City**

**1634**

8. Registrant's Telephone Number : 403-6910

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding
Common Shares	5,318,095,199 (P0.18 par value)	None
Preferred Shares – Series A	12,500,000 (P1.00 par value)	None
Preferred Shares – Series B	20,000,000 (P1.00 par value)	None

11. Are any or all of the securities listed on the Philippine Stock Exchange?

YES [ X ]                      NO [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B ONLY.

12. Indicate by check mark whether the registrant :

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

YES [ X ]                      NO [ ]

(b) has been subject to such filing requirements for the past 90 days.

YES [ X ]                      NO [ ]

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

*See attached.*

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*See attached.*


## PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C

## SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **ARTHALAND CORPORATION**

Signature and Title :   
JAIME C. GONZALEZ  
President

Signature and Title :   
FERDINAND A. CONSTANTINO  
Chief Finance Officer

Date : 10 May 2017

**ITEM 1. Financial Statements Required under SRC RULE 68.1**

1. Basic and Diluted Earnings per Share (See attached Income Statement).
2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).
3. Notes to Financial Statements:
  - a. The accompanying consolidated financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.
  - b. There is no significant seasonality or cycle of interim operations.
  - c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.
  - d. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.
  - e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
  - f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
  - g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.
  - h. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.
  - i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2017 AND MARCH 31, 2016**

	Note	MARCH 31 2017 (Unaudited)	MARCH 31 2016 (Unaudited)
<b>ASSETS</b>			
Cash and cash equivalents	5 P	738,958,392 P	1,028,743,225
Financial assets at fair value through profit or loss (FVPL)	6	1,629,504,821	-
Trade and other receivables	7	318,288,954	1,172,290,325
Real estate for sale	8	2,546,697,619	1,388,639,425
Investment properties	9	4,863,449,232	1,425,885,782
Property and equipment	10	22,607,121	15,206,678
Net deferred tax assets		27,227,590	12,802,919
Creditable withholding taxes		249,650,675	249,370,605
Other assets	11	344,418,431	165,764,002
		<b>P 10,740,802,835 P</b>	<b>5,458,702,961</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12 P	3,151,336,317 P	1,920,463,769
Accounts payable and other liabilities	13	1,603,155,717	1,474,886,798
Due to a related party	14	233,851,254	
Retirement liability	21	47,244,365	40,801,518
Net deferred tax liabilities		657,972,675	122,736,457
Total Liabilities		<b>5,693,560,328</b>	<b>3,558,888,542</b>
<b>Equity attributable to equity holders of ArthaLand Corporation</b>			
Capital stock	15	989,757,136	957,257,136
Additional paid-in capital		2,031,441,541	75,000,000
Retained earnings		2,022,778,313	853,384,483
Cumulative measurement gains on retirement liability - net of tax		3,022,025	990,511
Parent Company's shares held by a subsidiary		(12,500,000)	-
		<b>5,034,499,015</b>	<b>1,886,632,130</b>
Non-controlling interests		12,743,492	13,182,289
Total Equity		<b>5,047,242,507</b>	<b>1,899,814,419</b>
		<b>P 10,740,802,835 P</b>	<b>5,458,702,961</b>

See accompanying Notes to Consolidated Financial Statements

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2017 AND DECEMBER 31, 2016**

	Notes	MARCH 31 2017 (Unaudited)	DECEMBER 31 2016 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	5 P	738,958,392 P	990,742,203
Financial assets at fair value through profit or loss (FVPL)	6	1,629,504,821	2,050,075,279
Trade and other receivables	7	318,288,954	301,089,586
Real estate for sale	8	2,546,697,619	1,722,192,699
Investment properties	9	4,863,449,232	4,534,143,705
Property and equipment	10	22,607,121	20,071,668
Net deferred tax assets		27,227,590	15,282,811
Creditable withholding taxes		249,650,675	243,216,792
Other assets	11	344,418,431	184,828,088
		<b>P 10,740,802,835 P</b>	<b>10,061,642,831</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12 P	3,151,336,317 P	3,111,038,703
Accounts payable and other liabilities	13	1,603,155,717	899,207,291
Due to a related party	14	233,851,254	249,789,836
Retirement liability	21	47,244,365	47,244,365
Net deferred tax liabilities		657,972,675	644,775,602
Total Liabilities		5,693,560,328	4,952,055,797
<b>Equity attributable to equity holders of ArthaLand Corporation</b>			
Capital stock	15	989,757,136	989,757,136
Additional paid-in capital		2,031,441,541	2,031,441,541
Retained earnings		2,022,778,313	2,098,281,063
Cumulative measurement gains on retirement liability - net of tax		3,022,025	3,022,025
Parent Company's shares held by a subsidiary		(12,500,000)	(12,500,000)
		5,034,499,015	5,110,001,765
Non-controlling interests		12,743,492	(414,731)
Total Equity		5,047,242,507	5,109,587,034
		<b>P 10,740,802,835 P</b>	<b>10,061,642,831</b>

See accompanying Notes to Consolidated Financial Statements

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2017 and 2016**

	Note	MARCH 31 2017		MARCH 31 2016	
		(Unaudited)		(Unaudited)	
REVENUES	16	P	265,283,245	P	279,673,414
COST OF SALES AND SERVICES	17		(163,811,702)		(199,622,877)
GROSS INCOME			101,471,542		80,050,537
OPERATING EXPENSES	18		83,143,837		83,719,678
INCOME (LOSS) FROM OPERATIONS			18,327,705		(3,669,141)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES			-		-
FINANCE COSTS	19		(23,244,583)		(9,046,817)
OTHER INCOME - net	20		14,265,570		57,254,533
INCOME BEFORE INCOME TAX			9,348,693		44,538,575
INCOME TAX EXPENSE			2,980,455		23,940,067
NET INCOME			6,368,238		20,598,508
COMPREHENSIVE INCOME			3,022,025		-
TOTAL COMPREHENSIVE INCOME		P	9,390,263	P	20,598,508
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of ArthaLand Corporation		P	26,958,046	P	24,811,652
Non-controlling interest			(20,589,808)		(4,213,144)
		P	6,368,238	P	20,598,508
EARNINGS PER SHARE - Basic and Diluted	24	P	0.005	P	0.005

See accompanying Notes to Consolidated Financial Statements



**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2017**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2016**

	Note	MARCH 31 2017 (Unaudited)	DECEMBER 31 2016 (Audited)
REVENUES	16	P 265,283,245	P 451,075,061
COST OF SALES AND SERVICES	17	(163,811,702)	(393,674,538)
GROSS INCOME		101,471,542	57,400,523
OPERATING EXPENSES	18	83,143,837	365,128,458
INCOME (LOSS) FROM OPERATIONS		18,327,705	(307,727,935)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		-	1,417,865,206
FINANCE COSTS	19	(23,244,583)	(80,348,345)
OTHER INCOME - net	20	14,265,570	147,643,198
INCOME BEFORE INCOME TAX		9,348,693	1,177,432,124
INCOME TAX EXPENSE		2,980,455	355,015,749
NET INCOME		6,368,238	822,416,375
COMPREHENSIVE INCOME		3,022,025	2,031,514
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P</b>	<b>9,390,263</b>	<b>P 824,447,889</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of ArthaLand Corporation	P	26,958,046	P 840,225,824
Non-controlling interest		(20,589,808)	(17,809,449)
	P	6,368,238	P 822,416,375
<b>EARNINGS PER SHARE - Basic and Diluted</b>	<b>24</b>	<b>P 0.005</b>	<b>P 0.151</b>

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2017 AND 2016**

	Note	MARCH 31 2017 (Unaudited)	MARCH 31 2016 (Unaudited)
<b>CAPITAL STOCK</b>			
Common - P0.18 par value			
Issued and outstanding	15	P 957,257,136	P 957,257,136
Preferred - P1.00 par value			
Issued and subscribed		32,500,000	-
		<b>989,757,136</b>	<b>957,257,136</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning and end of period		2,031,441,541	75,000,000
<b>RETAINED EARNINGS</b>			
Balance at beginning of period, as adjusted		2,115,456,218	828,572,831
Net profit for the period		6,368,238	24,811,652
Dividends declared during the period		(99,046,143)	-
Balance at end of period		<b>2,022,778,313</b>	<b>853,384,483</b>
<b>ACCUMULATED UNREALIZED ACTUARIAL GAINS</b>			
Balance at beginning and end of period		3,022,025	990,511
<b>PARENT COMPANY'S SHARE IN A SUBSIDIARY - at cost</b>			
		(12,500,000)	-
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ARTHALAND CORPORATION</b>			
		<b>5,034,499,015</b>	<b>1,886,632,130</b>
<b>NON-CONTROLLING INTERESTS</b>			
Balance at beginning of period		(414,731)	-
Subscription to a subsidiary		15,938,582	17,395,433
Net loss for the period		(2,780,359)	(4,213,144)
Balance at end of period		<b>12,743,492</b>	<b>13,182,289</b>
<b>TOTAL EQUITY</b>		<b>P 5,047,242,507</b>	<b>P 1,899,814,419</b>

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2017 AND 2016**

	Note	MARCH 31 2017 (Unaudited)	MARCH 31 2016 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		P 9,348,693	P 44,538,575
Adjustment for:			
Finance Costs	19	21,417,147	8,869,004
Depreciation and amortization	18	2,129,632	5,600,448
Interest income	20	3,830,302	(3,462,370)
Unrealized holding gains	6	(10,429,542)	-
Realized holding gains	6	(6,043,169)	-
Unrealized forex gains		(174,586)	2,114,396
Day 1 gain on loan discounting	20	-	(41,334,241)
Gain on sale of property and equipment		475,131	-
Operating income before working capital changes		20,553,608	16,325,811
Decrease (increase) in:			
Trade and other receivables		(17,199,368)	659,290,906
Real estate for sale		(807,329,765)	158,828,124
Other assets		(159,590,343)	(11,926,576)
Decrease in accounts payable and other liabilities		703,948,427	113,810,796
Net cash provided by (used in) operations		(259,617,441)	936,329,061
Interest paid		(6,647,533)	(16,154,440)
Interest received		(3,830,302)	2,996,332
Income tax paid		(8,162,044)	(82,287,810)
Net cash generated from (used in) operating activities		(278,257,320)	840,883,143
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment		(5,432,046)	(136,440)
Proceeds from disposal of financial assets at FVPL - net		437,043,169	24,784,364
Proceeds from disposals of property and equipment		291,829	-
Increase in investment property		(329,305,527)	(34,561,921)
Net cash generated from (used in) investing activities		102,597,425	(9,913,997)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		106,888,000	410,000,000
Settlement of interest-bearing liabilities		(81,360,000)	(1,539,970,901)
Subscription of non-controlling interest		13,158,223	17,395,433
Due to a related party		(15,938,582)	-
Payment of dividends		(99,046,143)	-
Net cash used in financing activities		(76,298,502)	(1,112,575,468)
<b>NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		174,586	(2,114,396)
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		(251,783,811)	(283,720,718)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		990,742,203	604,613,767
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		P 738,958,392	P 320,893,049

**ARTHALAND CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. CORPORATE MATTERS**

Arthaland Corporation (the Parent Company or ALCO) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's shares of stocks are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

ALCO's first major development project is Arya Residences Towers 1 and 2 (Arya Residences) located in Global City, Taguig. The Arya Residences is the first high-rise residential development in the Philippines that is awarded with US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program's Gold certification. It is also registered under the PHILGBC's BERDE (Building for Ecologically Responsive Design Excellence) program. In 2014, the Company started the construction of Arthaland Century Pacific Tower (ACPT), a 30-storey office building also in BGC. It is a Philippine Economic Zone Accredited project, USGBC's LEED Gold pre-certified, and registered under the PhilGBC BERDE certification program.

ALCO is currently developing Cebu Exchange, a 39-storey office building with retail establishments, poised to be one of Cebu's largest and tallest office developments and will cater to Cebu's booming office space market. It will be built on an 8,440 sqm property located along Salinas Drive across the Cebu IT Park in Cebu City, and will have a total NSA of almost 90,000 sqm. ALCO expects Cebu Exchange to receive green building certifications from both the LEED (pre-certified) and PhilGBC BERDE programs.

In September 2016, ALCO, through its 100% owned subsidiary, Cazneau, acquired eight hectares of land adjacent to De La Salle Science and Technology Complex. The Biñan Laguna Project is conceptualized to be a masterplanned campus-type residential community that will feature a mix of student and faculty housing, a mix of low rise residential buildings as well as retail and supplemental amenities.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a company domiciled in the Philippines and was incorporated primarily as a holding company.

The interim consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Country of Incorporation	Percentage of Ownership (%)	
		March 31, 2017	December 31, 2016
Cazneau, Inc. (Cazneau)	Philippines	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%
Emera Property Management, Inc. (Emera)	Philippines	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	—
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%
Savya Land Development Corporation (SLDC)	Philippines	100%	—

During the last quarter of 2015, the Parent Company incorporated ZLDC and was registered with SEC on December 28, 2015 and is established to engage primarily in realty development business.

In 2016, the stockholders and the Board of Directors (BOD) approved the subscription of new subscriber for 214,351 common shares and 118,982 preferred shares at ₱100 par value out of the unissued authorized capital stock of CLLC. The additional subscription resulted to the change of ALCO's ownership over CLLC from 100% to 60%.

In 2017, the Parent Company incorporated SLDC and was registered with SEC on February 10, 2017 and is established to engage primarily in realty development business. This wholly-owned subsidiary purchased from Ayala Land, Inc. two parcels of land in Arca South located in Barangay West Bicutan, Taguig City.

All of the subsidiaries were established to engage primarily in real estate development, except for Emera, which is a property management company.

The registered office and principal place of business of the Group is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

### **Major Projects**

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification. It is expected to achieve multiple star rating from the Philippine Green Building Council's (PHILGBC) BERDE program. As at December 31, 2016, Arya Residences is one-hundred percent (100%) complete.

In 2014, the Group started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. The 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. Similar to Arya Residences, it is on target to achieve dual green building certification from the USGBC LEED and PhilGBC Building for Ecologically Responsive Design Excellence (BERDE). In fact, ACPT is a LEED Gold pre-certified office development.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey premium office building with retail establishments. The Cebu Exchange is poised to be one of the largest and tallest office developments that will cater to Cebu's booming office space market with approximately 314 office units located along Salinas Drive across the Cebu IT Park in Cebu City. Cebu Exchange is expected to receive green building certifications from LEED and BERDE programs.

The interim consolidated financial statements of the Group as at and for the three months ended March 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2017.

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## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation**

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations

Committee (IFRIC) and the SEC provisions.

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer or the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 Significant Accounting Judgments, Estimates and Assumptions
- Note 7 Financial Assets at FVPL
- Note 10 Investment Properties
- Note 27 Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

#### **Change in Accounting Policy and Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the fair value model for accounting of investment properties in 2016 (see separate disclosures under accounting policy for investment properties and Note 4 to the consolidated financial statements). The following new and amended PFRS which the Group adopted effective January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

#### **New and Amended PFRS Not Yet Adopted**

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

Effective for annual periods beginning on or after January 1, 2018 -

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees’ balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group except for PFRS 9. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Group anticipates that the application of PFRS 9 might have a significant effect on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **Basis of Consolidation**

*Subsidiaries.* Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.



The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS investment depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company.

### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

*Initial Recognition.* Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at FVPL.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses on these assets are recognized under "Other income - net" account in profit or loss.

The Group classified its investment in money market fund under this category.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow are classified under this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Other Financial Liabilities at Amortized Cost.* Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and due to a related party are classified as other financial liabilities at amortized cost.

#### **Derecognition of Financial Instruments**

*Financial Assets.* A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### **Impairment of Financial Assets**

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments and probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **Classification of Financial Instruments Between Debt and Equity**

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole

#### **Debt Issue Costs**

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

#### **Real Estate for Sale**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

#### **Investment Properties**

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties were previously measured at cost, including transaction costs. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

Starting 2016, the Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. The fair value of investment properties is determined using market data approach and income approach by independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Transportation equipment	3 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

#### **Other Assets**

Other assets include value added tax (VAT), prepayments, deposits, investment in time deposit, amounts held in escrow and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

*Deferred Input VAT.* In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount

of input VAT on capital goods. Deferred input that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

*Materials and Supplies.* The Group recorded as assets several construction materials and supplies from the completed construction of its projects.

#### **Creditable Withholding Taxes**

Creditable withholding taxes (CWT) represent the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

#### **Payable to Buyers**

Payable to buyers consist of amounts received by the Group from its customers as reservation fee for real estate sales. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the revenue recognition criteria are met.

#### **Capital Stock**

*Common Stock.* Common stock is measured at par value for all shares issued.

*Preferred Stock.* The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Group.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

#### **Additional Paid-in Capital**

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

#### **Subscription Receivable**

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

#### **Retained Earnings**

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

### **Parent Company's Shares Held by Subsidiary**

Shares of the Parent Company held by subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

### **Basic and Diluted Earnings Per Share (EPS)**

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as principal in all of its revenue arrangements. In addition, the following specific recognition criteria must also be met before revenue is recognized:

*Revenue from Real Estate Sales.* The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Any excess collections over the recognized receivables are included in the "Payable to Buyers" account under "Accounts payable and other liabilities" of the consolidated statements of financial position.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

*Rental Income.* Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-



cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option.

*Interest Income.* Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

*Project management fees.* Revenue is recognized in profit or loss when the related services are rendered.

*Other income.* Income from other sources is recognized when earned during the period.

### **Cost and Expenses Recognition**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*Cost of real estate sales.* Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

*Cost of services.* Cost of services is recognized as expense when services are rendered.

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

*Finance Costs.* Finance costs are recognized in profit or loss using the effective interest method.

### **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

*Group as Lessee.* Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease

payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

*Group as Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Foreign Currency - Denominated Transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

## **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforwards of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

## **Related Party Transactions**

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

## **Segment Reporting**

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the consolidated financial statements.

## **Provisions and Contingencies**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated statements of financial position when an inflow of economic benefits is probable.

#### **Events After the Reporting Period**

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the consolidated notes to financial statements when material.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining Functional Currency.* Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

*Classifying Financial Instruments.* The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

*Recognizing Revenue and Cost from Real Estate Sales.* Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. The Company's revenue and cost from real estate sales were recognized based on percentage of completion, which is determined based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Change in estimates may affect the reported amounts of revenue and cost of real estate sales and receivable.

*Classifying between Real Estate for Sale and Investment Properties.* The Group determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, or held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of the Group.

*Determining Highest and Best Use of Investment Properties.* The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

*Determining Lease Commitments - Group as Lessor.* The Group entered into various lease contracts for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

*Determining Lease Commitments - Group as Lessee.* The Group entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

*Determining Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2016 and 2015, the Parent Company has the ability to exercise control over these investees.

### **Estimates and Assumptions**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Estimating Allowance for Impairment of Trade and Other Receivables.* Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

*Determining Net Realizable Value of Real Estate for Sale.* The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate for sale. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

*Estimating Fair Value of Investment Properties.* The Management determines the policies and procedures for the fair value measurement of investment properties. External real estate appraisers are engaged by management for valuation of investment properties. The involvement of external real estate appraisers is decided upon by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management reviews the external real estate appraisers' valuation techniques and inputs used for each investment property.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 11 to the consolidated financial statements.

*Estimating Useful Lives of Property and Equipment.* The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

*Assessing Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2017 and 2016.

*Estimating Retirement Expense.* The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries

in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

*Assessing Realizability of Deferred Tax Assets.* The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

#### 4. PRIOR PERIOD ADJUSTMENTS

The 2015 and 2014 financial statements have been restated for the following retrospective adjustments:

- Adoption of fair value model of accounting for investment properties resulting in a gain on change in fair value of investment properties of ₱33.5 million in 2015.
- Interest capitalization of ₱9.3 million in 2015 for the loan availed to finance the development activities of Cebu Exchange.

The following is the summary of the financial impact of the prior period adjustments on the Group's consolidated financial:

	As at December 31, 2015		
	As Previously Reported	Effect of Restatements	As Restated
Real estate for sale	₱1,550,935,492	₱7,775,609	₱1,558,711,101
Investment properties	1,391,323,861	613,902,461	2,005,226,322
Accounts payable and other liabilities	1,368,361,438	9,565,945	1,377,927,383
Net deferred tax liabilities	168,313,291	184,170,738	352,484,029
Retained earnings	828,572,831	429,482,408	1,258,055,239
Net income	223,834,283	23,197,185	247,031,468

	As at January 1, 2015		
	As Previously Reported	Effect of Restatements	As Restated
Investment properties	₱1,367,498,286	₱580,407,461	₱1,947,905,747
Net deferred tax liabilities	156,814,254	174,122,238	330,936,492
Retained earnings	668,555,690	406,285,223	1,074,840,913

#### 5. CASH AND CASH EQUIVALENTS

This account consists of:

	March 2017	December 2016	March 2016
Cash on hand	30,000	30,000	45,000
Cash in bank	62,458,224	34,869,125	320,848,049
Short-term placements	676,470,168	955,843,078	707,850,176
	<b>738,958,392</b>	<b>990,742,203</b>	<b>1,028,743,225</b>

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months or less and earn interest at the prevailing short-term deposit rates.

## 6. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱1,629.5 million and ₱2,050.1 million as at March 31, 2017 and December 31, 2016, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱10,429.5 million and ₱1,215 million for the three months ended March 31, 2017 and 2016, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income (see Note 20). Realized gain on sale of financial assets at FVPL amounted to ₱6,043.2 million and ₱4,177 million for the nine months ended March 31, 2017 and 2016, respectively (see Note 20).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

## 7. TRADE AND OTHER RECEIVABLES

This account consists of:

	March 2017	December 2016	March 2016
Advances for project development	176,777,232	221,316,588	395,257,126
Sale of real estate	84,097,726	24,221,403	730,038,616
Advances to employees	5,098,714	5,404,468	6,808,458
Other receivables	52,683,574	50,515,419	40,554,417
	318,657,246	301,457,878	1,172,658,617
Allowance for impairment losses	(368,292)	(368,292)	(368,292)
	318,288,954	301,089,586	1,172,290,325

The aging analysis of trade and other receivables are shown below:

	March 2017	December 2016	March 2016
Current	83,729,434	22,853,111	730,850,618
Past due			
Within 6 months	-	-	-
7 months to 1 year	-	-	-
More than 1 year	368,292	368,292	368,292
	84,097,726	24,221,403	731,218,910
Percentage of completion adjustment	-	-	(1,180,294)
	84,097,726	24,221,403	730,038,616

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are noninterest-bearing and are being recouped against contractors' progress billings.

Receivables from sale of real estate pertain to receivables from sale of Arya Residences condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.



Advances to officers and employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Other receivables include receivable from CPG amounting to ₱36.1 million arising from the share purchase agreement between the Company, CPG and AOCH1. The share purchase agreement provides that the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by Urban Property Holdings, Inc. (UPHI), a subsidiary, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Company to CPG, the latter shall pay to the Company the entire amount or a portion thereof plus interest.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of March 31, 2017 and December 31, 2016, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

## 8. REAL ESTATE FOR SALE

This account consists of:

	March 2017	December 2016	March 2016
Raw land	1,264,848,689	325,614,253	940,288,787
Assets under construction	985,659,150	978,084,141	425,452,805
Condominium units for sale	296,189,780	418,494,305	22,897,833
	<b>2,546,697,619</b>	<b>1,722,192,699</b>	<b>1,388,639,425</b>

### Assets under Construction

Assets under construction consist of land and project development costs of ongoing real estate projects of the Group. As at December 31, 2016, this account includes the land and development costs of Cebu Exchange. Total estimated costs to complete the Cebu Exchange amounted to ₱7,467.0 million as at December 31, 2016.

### Condominium units for sale

Condominium units for sale pertain to unsold and completed units of Arya Residences.

As at March 31, 2017, December 31, 2016 and March 31, 2016, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory write-down as at March 31, 2017, December 31, 2016 and March 31, 2016.

### Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

In 2016, the Group transferred raw land amounting to ₱45.0 million from "real estate for sale" account to "investment properties" account because the Group has yet to be determined the strategic use of the property as at December 31, 2016 (see Note 9). The property was recognized at its fair value amounting to ₱84.0 million.

## 9. INVESTMENT PROPERTIES

This account consists of:

	March 2017	December 2016	March 2016
ACPT	3,396,320,870	3,067,015,343	629,993,557
Arya Residences:			
Commercial spaces	855,110,000	855,110,000	44,060,103
Parking slots	129,919,062	129,919,062	129,919,062
Raw Land:			
UPHI's property	398,122,800	398,122,800	537,936,560
Batangas and Tagaytay property	83,976,500	83,976,500	83,976,500
	4,863,449,232	4,534,143,705	1,425,885,782

### ACPT

Total estimated costs to complete ACPT amounted to ₱3,523.5 million as at December 31, 2016.

### Arya Residences Commercial Spaces and Parking Slots

Parking slots pertain to parking units of ALCO and MPI in Arya Residences which are intended for lease. Commercial units pertain to retail establishments of MPI in Arya Residences which are intended for lease.

### Raw Land

Raw land includes UPHI's raw land with fair value amounting to ₱398.1 million and ₱149.8 million as at March 31, 2017 and December 31, 2016, respectively. The land has an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at March 31, 2017, December 31, 2016, March 31, 2016, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

Raw land also includes land of the Parent Company with an area of 10.3 hectares located in Batangas and Tagaytay amounting ₱84.0 million as at December 31, 2016 which was transferred from "real estate for sale" (see Note 8).

The fair value of investment properties as at December 31, 2015 was determined using the market data approach. This approach considers sales and listings of comparable property registered within the vicinity of the investment properties. In 2016, the Group changed the valuation technique for determining the fair value of ACPT and Arya Residences commercial spaces and parking slots from market data approach to income approach, which includes discounted cash flows (DCF) and land development approaches, because it results in a measurement that is representative of the fair value of the investment properties as at December 31, 2016.

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

### Discounted Cash Flow (DCF) Approach

Inputs used for the fair value measurement of investment properties using DCF approach as at December 31, 2016 are as follows:

<u>Investment Properties</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>
Arya Residences:		
Commercial units	Rental rate per square meter (sq.m.)	₱2,265
	Rent escalation rate per annum (p.a.)	5%
	Discount rate	8.5%
	Vacancy rate	2%
<u>Investment Properties</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>
Parking slots	Rental rate per slot	₱5,500
	Rent escalation rate p.a.	5%
	Discount rate	8.5%
	Vacancy rate	2%

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy using the DCF approach are as follows:

- *Rental rate* - estimated rental value at which space could be let in the market conditions prevailing at the date of valuation.
- *Rent escalation rate p.a.* - estimated average increase in rent based on both market estimations and contractual indexations.
- *Discount rate* - rate used to discount the net cash flows generated from rental activities during the period of analysis.
- *Vacancy rate* - percentage of expected long term average structural vacant space divided by total leasable area (sq.m.).

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

*Sensitivity Analysis.* Generally, significant increases (decreases) in rental rate (per sq.m.) and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value measurement.

### Market Data Approach

Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

### Land Development Approach

Details of significant unobservable inputs for the fair value measurement of ACPT as at December 31, 2016 follow:

<u>Significant Unobservable Input</u>	<u>Range</u>
Discount rate	8.5%
Proposed rental rates (per sq.m.)	₱1,200
Calculated no. of net leasable area	27,809 sq.m.

Under this approach, the investment property are treated as office and commercial units development and the gross rental income that may be expected from the proposed leasable units are then estimated in accordance with the prevailing prices of comparable office and commercial units development within the immediate vicinity. Overhead and operating expenses, and developer's profit from the gross rental income, the resulting residual income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.
- Establishment of total rental income from lease of office and commercial units are the current rental rates in similar office building within the immediate vicinity.
- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.
- Estimation of overhead and operating expenses such as promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

*Sensitivity Analysis.* The following factors were considered in determining the market value of the subject property:

- location/neighborhood
- the subject property is a commercial/residential
- grid analysis (quantitative market value adjustments)
- highest and best use (office and commercial building)

Significant increase (decrease) in value adjustments would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

## 10. PROPERTY AND EQUIPMENT

The balances and movements of this account as of March 31, 2017, December 31, 2016 and March 31, 2016 consist of:

	Cost	Accumulated Depreciation	Net Carrying Amount
<b><u>March 2017</u></b>			
Office equipment	42,583,064	(37,218,810)	5,364,254
Furniture and fixture	7,587,794	(7,536,695)	51,099
Leasehold improvements	48,363,334	(48,242,122)	121,212
Transportation equipment	34,817,931	(17,747,375)	17,070,556
	<b>133,352,123</b>	<b>(110,745,002)</b>	<b>22,607,121</b>
<b><u>December 2016</u></b>			
Office equipment	38,547,540	(36,829,769)	1,717,771
Furniture and fixture	7,578,512	(7,530,553)	47,959
Leasehold improvements	48,363,334	(48,205,758)	157,576
Transportation equipment	36,289,806	(18,141,444)	18,148,362
	<b>130,779,192</b>	<b>(110,707,524)</b>	<b>20,071,668</b>
<b><u>March 2016</u></b>			
Office equipment	37,635,240	(36,064,655)	1,570,585
Furniture and fixture	7,539,800	(7,460,502)	79,298
Leasehold improvements	48,363,334	(48,096,666)	266,668
Transportation equipment	33,992,553	(20,702,426)	13,290,127
	<b>127,530,927</b>	<b>(112,324,249)</b>	<b>15,206,678</b>

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

## 11. OTHER ASSETS

This account consists of:

	March 2017	December 2016	March 2016
Input VAT	187,819,896	73,307,494	-
Deposits	67,450,853	35,982,536	35,619,681
Prepayments	56,762,207	43,186,452	26,832,767
Investment in time deposits	17,556,000	17,402,000	96,778,415
Amounts held in escrow	11,143,822	11,143,822	2,939,934
Deferred input VAT	2,144,632	2,264,763	2,052,184
Materials and supplies	1,541,021	1,541,021	1,541,021
	<b>344,418,431</b>	<b>184,828,088</b>	<b>165,764,002</b>

Input VAT represents VAT paid to supplier that can be claimed as credit against the company's future VAT liabilities.

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of Arya Residences and ACPT. Deposits are refundable to the Group upon completion of the agreement.

Prepayments consist of prepaid rent, taxes, insurance and others expenses which are amortized over a year.

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rate of 1.75% per annum. These time deposits are subject to holding period of six (6) months from the date of issuance. In cases of pre-termination, the investment will earn interest based on regular deposit rates.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarter principal and interest amortization.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

## 12. LOANS PAYABLE

This account consists of:

	March 2017	December 2016	March 2016
Local creditor banks	1,513,565,020	1,516,231,539	775,063,550
Private funders	1,637,771,297	1,594,807,164	1,145,400,219
	<b>3,151,336,317</b>	<b>3,111,038,703</b>	<b>2,899,458,863</b>

### Local creditor banks

Loans from local banks consist of interest-bearing secured loans and CTS financing obtained to finance project development and carries interest rates ranging from 2.75% to 5.75% to 5.60% to 6.00% in 2017 and 2016, respectively.

The Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by six (6) promissory notes that are maturing on July 2025. . In addition, OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;

- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements.
- Parent Company is required to maintain the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱482.6 million and ₱204 million as at March 31, 2017 and 2016, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio as at March 31 is as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Interest-bearing liabilities	1,603,288,991	1,590,157,939	834,662,610
Total equity	5,047,242,507	5,109,587,034	1,899,814,419
	<b>0.32:1.00</b>	<b>0.31:1.00</b>	<b>0.44:1.00</b>

The Parent Company is compliant with the required debt to equity ratio as at March 31, 2017, December 31, 2016 and March 31, 2016.

#### Private funders

Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the reporting date and bear interest rate of 3.5% in 2017 and 2016.

In 2015, the Parent Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless) to partially finance the construction of ACPT. Drawdowns ₱825.3 million were made in 2016 and 2015, respectively.

This loan is payable in cash or in kind at the option of Centrobless. In the event Centrobless elects to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago with total space encompassing seven (7) floors of ACPT and 150 parking slots therein at the total purchase price of ₱1,650.6 million. "Day 1" gain of nil and ₱41.3 million in 2017 and 2016, was recognized on these loans and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 20).

Outstanding balance of this loan amounted to ₱1,548.0 million and ₱1,085.8 million as at March 31, 2017 and 2016, respectively.

### **13. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

This account consists of:

	March 2017	December 2016	March 2016
Accounts payable	1,077,869,583	310,478,828	405,697,351
Retention payable	308,876,406	292,557,574	334,837,385
Accrued expenses	83,401,545	128,166,786	67,831,503
Payable to buyers	53,846,551	139,796,738	62,813,730
Withholding taxes payable	8,377,322	9,523,732	5,089,055

Payable to land owner	-	-	485,760,000
Output VAT	-	220,288	38,688,920
Deferred output VAT	-	1,679,417	57,579,009
Others	<b>70,784,310</b>	16,783,928	16,589,845
	<b>1,603,155,717</b>	899,207,291	1,474,886,798

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled within 30 days to one year.

Retention payable pertains to amount retained by the Company from contractors' progress billings for Arya Residences and ACPT which will be released after the completion and satisfaction of the terms and conditions of the construction contract.

Accrued expenses are accruals for interests, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months.

Payable to buyers include reservation fees and collections received from prospective buyers which are to be applied against the receivable upon execution of sales documents and recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

Payable to land owner pertains to the unpaid balance on the land acquired in Cebu.

Deferred output VAT pertains to VAT from sales of property on the installment plan. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividends payable.

#### **14. RELATED PARTY TRANSACTIONS**

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

##### Advance to and from Subsidiaries

The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

##### Advances to Officers and Employees

The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

##### Advances for Project Development

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects.

##### Key Management Personnel

The compensation of key management personnel are as follows:



	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Salaries and other employee benefits	33,479,312	125,376,040	31,719,046
Retirement benefits expense	-	9,345,010	-
	<b>33,479,312</b>	<b>134,721,050</b>	<b>31,719,046</b>

## 15. CAPITAL STOCK

The account consists of:

	Shares		
	March 2017	December 2016	March 2016
Common shares - P0.18 par value			
Authorized - 16,368,095,199			
Issued:			
Balance at the beginning of period	5,318,095,199	5,318,095,199	5,318,095,199
Issued during the period	-	-	-
Balance at end of period	<b>5,318,095,199</b>	<b>5,318,095,199</b>	<b>5,318,095,199</b>
Preferred shares - P1.00 par value			
Balance at the beginning of period	32,500,000	-	-
Issued during the period	-	32,500,000	-
Balance at end of period	<b>32,500,000</b>	<b>32,500,000</b>	<b>-</b>
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>-</b>
	<b>5,350,595,199</b>	<b>5,350,595,199</b>	<b>5,318,095,199</b>

	Amount		
	March 2017	December 2016	March 2016
Common shares - P0.18 par value			
Issued:			
Balance at the beginning of period	957,257,136	957,257,136	957,257,136
Issued during the period	-	-	-
Balance at end of period	<b>957,257,136</b>	<b>957,257,136</b>	<b>957,257,136</b>
Preferred shares - P1.00 par value			
Balance at the beginning of period	32,500,000	-	-
Issued during the period	-	32,500,000	-
Balance at end of period	<b>32,500,000</b>	<b>32,500,000</b>	<b>-</b>
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>-</b>
	<b>20,000,000</b>	<b>20,000,000</b>	<b>-</b>
	<b>977,257,136</b>	<b>977,257,136</b>	<b>957,257,136</b>

### Dividend Declaration

The Parent's Company's BOD and stockholders approved the following cash dividends to ALCO's stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share	Shares
February 8, 2017	February 24, 2017	March 6, 2017	P 35,229,000	1.76145	Preferred

February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	0.012	Common
March 9, 2015	March 23, 2015	April 8, 2015	63,817,142	0.012	Common
March 10, 2014	March 28, 2014	April 22, 2014	191,451,427	0.036	Common

## 16. REVENUES

The account consists of:

	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Real estate sales	261,204,172	439,160,673	278,667,878
Rental income	2,446,752	8,103,925	-
Project Management fees	1,632,321	3,810,463	1,005,536
	<b>265,283,245</b>	<b>451,075,061</b>	<b>279,673,414</b>

Rental income pertains to the revenues from various lease contracts for retail units of MPI in Arya Residences recognized on a straight line basis under PAS 17.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC) as project manager. The related service contract has a term of 7 years commencing December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

## 17. COST OF SALES AND SERVICES

The account consists of:

	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Cost of real estate sales	162,401,918.00	389,043,136	198,687,332
Cost of services	1,409,784.00	4,631,402	935,545
	<b>163,811,702</b>	<b>393,674,538</b>	<b>199,622,877</b>

## 18. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Personnel costs	32,404,590	134,721,050	31,719,046
Taxes and licenses	13,178,130	58,472,179	15,565,409
Advertising	9,928,244	43,239,749	7,615,833
Brokers' commissions	7,114,369	23,527,781	8,442,232
Management and professional fees	6,024,983	33,341,170	1,457,449
Communication and office expense	3,589,638	18,242,802	4,564,911
Rental	3,153,832	10,357,319	2,138,776
Insurance	2,538,611	12,074,380	2,233,986

Depreciation and amortization	2,129,632	8,214,176	5,600,448
Transportation and travel	1,646,958	5,593,670	585,691
Repairs and maintenance	501,116	2,181,796	627,629
Utilities	291,224	8,062,059	296,496
Representation	232,011	3,018,353	2,386,772
Others	410,499	4,081,974	485,000
	<b>83,143,836</b>	<b>365,128,458</b>	<b>83,719,678</b>

## 19. FINANCE COSTS

Finance costs relate to the following:

	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Interest-bearing loans	21,417,147	79,540,215	8,869,004
Discount on receivables financing	-	-	-
Bank charges of debt	1,827,436	808,130	177,813
Others	-	-	-
	<b>23,244,583</b>	<b>80,348,345</b>	<b>9,046,817</b>

## 20. OTHER INCOME – NET

This account consists of:

	March 2017 (Three Months)	December 2016 (Twelve Months)	March 2016 (Three Months)
Unrealized holding gains on financial assets at FVPL	10,429,542	5,856,676	1,214,950
Realized gain on disposals of financial assets at FVPL	6,043,169	17,310,183	4,177,039
Interest income	3,830,302	10,692,204	3,467,986
Foreign exchange gains	174,586	600,156	-
“Day 1” gain on loan discounting	-	80,883,656	41,334,240
Forfeited collections	-	31,696,556	-
Others	(6,212,028)	603,767	7,060,317
	<b>14,265,571</b>	<b>147,643,198</b>	<b>57,254,532</b>

## 21. RETIREMENT LIABILITY

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the interim consolidated statements of comprehensive income (based on the report of an independent actuary dated February 29, 2016):

	<b>March 2017</b> <b>(Three Months)</b>	December 2016 (Twelve Months)	March 2016 (Three Months)
Balance at beginning of period	<b>47,244,365</b>	40,801,518	40,801,518
Current service cost	-	7,272,293	-
Interest cost	-	2,072,717	-
Remeasurement loss (gain) on:			
Changes in financial assumptions	-	(1,119,751)	-
Experience adjustments	-	(1,782,412)	-
<b>Balance at end of period</b>	<b>47,244,365</b>	47,244,365	40,801,518

Movements in the present value of retirement liability are as follows:

	<b>March 2017</b> <b>(Three Months)</b>	December 2016 (Twelve Months)	March 2016 (Three Months)
Balance at beginning of period	<b>47,244,365</b>	40,801,518	40,801,518
Retirement expense	-	9,345,010	-
Remeasurement gain	-	(2,902,163)	-
<b>Balance at end of period</b>	<b>47,244,365</b>	47,244,365	40,801,518

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

### Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of March 31, 2017, December 31, 2016, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of March 31, 2017, December 31, 2016 and March 31, 2016.

None of Group's financial assets are secured by collateral or other credit enhancements.

*a. Cash in Bank*

The credit risk for cash in bank is considered negligible, since the counterparties are reputable universal banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

*b. Receivables*

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

The Group has no past due or impaired accounts as of March 31, 2017, December 31, 2016 and March 31, 2016.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

### 23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	March 2017	December 2016	March 2016
Total liabilities	5,693,560,328	4,952,055,797	3,558,888,542
Total equity*	5,047,242,507	5,109,587,034	1,899,814,419
	1.13:1	0.97:1	1.87:1

\*based on consolidated equity

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

### 24. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	March 2017	December 2016	March 2016
Net income attributable to equity holders of Arthaland Corporation	26,958,046	840,225,824	24,811,652
Less: Dividends declared to Series "B" Preferred Shares		(35,229,000)	
Divided by number of outstanding common shares	5,318,095,199	5,318,095,199	5,318,095,199
	0.005	0.1514	0.005

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

## 25. FINANCIAL RATIOS

	MARCH 31 2017	DECEMBER 31 2016	MARCH 31 2016
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.50:1	3.08:1	1.97:1
Solvency Ratio (Net income before depreciation over total liabilities)	0.001:1	0.17:1	0.01:1
Debt-to-equity Ratio (Total liability over total equity*)	1.13:1	0.97:1	1.87:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity*)	0.32:1	0.31:1	0.44:1
Asset-to-equity Ratio (Total assets over total equity*)	2.13:1	1.97:1	2.87:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	15.65:1	5.92:1
Profitability Ratio (Net income attributable to equity holders of Arthaland Corporation over total equity)	0.001:1	0.161:1	0.013:1

\*based on consolidated equity

\*\* December 2016 ratio is based on full year income while March 2017 and March 2016 ratios are based on three-month income.

### Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FINANCIAL POSITION

March 2017 vs March 2016

	MARCH 31 2017	MARCH 31 2016	% Change
Cash and cash equivalents	P 738,958,392	P 320,893,049	130%
Financial assets at fair value through profit or loss (FVPL)	1,629,504,821	707,850,176	130%
Trade and other receivables	318,288,954	1,172,290,325	-73%
Real estate for sale	2,546,697,619	1,388,639,425	83%
Investment properties	4,863,449,232	1,425,885,782	241%
Property and equipment	22,607,121	15,206,678	49%
Net deferred tax assets	27,227,590	12,802,919	113%
Creditable withholding tax	249,650,675	249,370,605	0%
Other assets	344,418,431	165,764,002	108%
<b>Total Assets</b>	<b>10,740,802,835</b>	<b>5,458,702,961</b>	<b>97%</b>
Loans payable	3,151,336,317	1,920,463,769	64%
Accounts payable and other liabilities	1,603,155,717	1,474,886,798	9%
Due to a related party	233,851,254	-	100%
Retirement liability	47,244,365	40,801,518	16%

Net deferred tax liabilities	<b>657,972,675</b>	122,736,457	436%
Total Liabilities	<b>5,693,560,328</b>	3,558,888,542	60%
Equity attributable to equity holders of ArthaLand Corporation			
Capital stock	<b>989,757,136</b>	957,257,136	3%
Additional paid-in capital	<b>2,031,441,541</b>	75,000,000	2609%
Retained earnings	<b>2,022,778,313</b>	853,384,483	137%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	<b>3,022,025</b>	990,511	205%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	-	100%
	<b>5,050,437,597</b>	1,886,632,130	168%
Non-controlling interests	<b>12,742,492</b>	13,182,289	-3%
Total Equity	<b>5,047,242,507</b>	1,899,814,419	166%
<b>Total Liabilities and Equity</b>	<b>P 10,740,802,835</b>	P 5,458,702,961	97%

The Company's total resources as of March 31, 2017 increased by 96% to P10.7 billion from March 31, 2016 level of P5.5 billion due to the following:

*130% Increase in Cash and Cash Equivalents*

The increase was mainly due to collection of prior year's receivables, shareholders' advances in CLLC, sales of the few remaining unsold units in Arya Residences, and from the pre-selling of some units of Cebu Exchange, most of which were invested in short term placements.

*130% Increase in Financial assets at fair value through profit or loss (FVPL)*

The significant increase was basically attributable to proceeds from the Parent Company's Preferred shares offering last December 2016, the unspent amount of which have been invested in money market placement.

*73% Decrease in Trade and Other Receivables*

The decrease was largely due to collection of maturing accounts, as well as the application of previous advances to contractors against their 2017 progress billings.

*83% Increase in Real Estate for Sale*

The increase was largely accounted for by the cost of land acquired in the first quarter of 2017.

*241% Increase in Investment Properties*

The significant increase was brought about by the adoption of fair value accounting for the Group's investment properties in 2016 which included restatement of prior years' balances.

*49% Increase in Property and Equipment*

The increase was due to the acquisition of new office and transportation equipment for the period.

*113% Increase in Deferred Tax Assets*

The increase was mainly due to the tax effect of CLLC's NOLCO.

*108% Increase in Other Assets*

The increase was basically attributable to VAT input from contractors billings for ongoing construction as well from the land acquired in the first quarter of 2017.

*64% Increase in Loans Payable*

The increase was accounted for by the additional loans availed of by the company to partly fund its working capital and project financing requirements.



*9% Increase in Accounts Payable and Other Liabilities*

The increase was attributable to additional costs and retention payable as construction progresses.

*100% Increase in Due to a Related Party*

The increase is due to the advances made by a shareholder to CLLC, as previously mentioned in the discussion for Cash and Cash equivalent.

*16% Increase in Retirement Liability*

The increase is due to additional provisions for the year to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

*436% Increase in Net Deferred Tax Liabilities*

The increase is mainly due to the tax effect on the gain on change in fair value of investment properties as mentioned in the foregoing.

*2609% Increase in Additional Paid-in Capital*

The increase is due to the additional or over par payments made by subscribers to the Series B Preferred shares issuance last December 2016.

*137% Increase in Retained earnings*

The increase was attributable the 2016 Net Income as well as to the restatement made on the Retained Earnings' balances due to the group's adoption of fair value accounting on its investment properties.

*205% Increase in Cumulative measurement gains (losses) on retirement liability - net of tax*

The increase is due to the year-end adjustments on cumulative re-measurement gains on ALCO's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

*100% Increase in Parent Company's shares held by a subsidiary*

This represents a subsidiary's subscription to the Series A Preferred shares issued by the Parent company in 2016.

**FINANCIAL RATIOS**

March 2017 vs March 2016

	<b>MARCH 31 2017</b>	<b>MARCH 31 2016</b>	<b>% Change</b>
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>2.50:1</b>	1.97:1	18%
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.001:1</b>	0.01:1	-80%
Debt-to-equity Ratio (Total liability over total equity*)	<b>1.13:1</b>	1.87:1	-40%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity*)	<b>0.32:1</b>	0.44:1	-27%
Asset-to-equity Ratio (Total assets over total equity*)	<b>2.13:1</b>	2.87:1	-26%

Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>1.76:1</b>	5.92:1	-71%
Profitability Ratio (Net income attributable to equity holders of Arthaland Corporation over total equity)	<b>0.001:1</b>	0.013:1	-90%

*\*based on consolidated equity*

## FINANCIAL POSITION

March 2017 vs December 2016

	MARCH 31 2017	DECEMBER 31, 2016	% Change
Cash and cash equivalents	P 738,958,392	P 990,742,203	-25%
Financial assets at fair value through profit or loss (FVPL)	1,629,504,821	2,050,075,279	-21%
Trade and other receivables	318,288,954	301,089,586	6%
Real estate for sale	2,546,697,619	1,722,192,699	48%
Investment properties	4,863,449,232	4,534,143,705	7%
Property and equipment	22,607,121	20,071,668	13%
Net deferred tax assets	27,227,590	15,282,811	78%
Creditable withholding tax	249,650,675	243,216,792	3%
Other Assets	344,418,431	184,828,088	86%
<b>Total Assets</b>	<b>10,740,802,835</b>	<b>10,061,642,831</b>	<b>7%</b>
Liabilities			
Loans payable	3,151,336,317	3,111,038,703	1%
Accounts payable and other liabilities	1,603,155,717	899,207,291	78%
Due to a related party	233,851,254	249,789,836	-6%
Retirement liability	47,244,365	47,244,365	0%
Net deferred tax liabilities	657,972,675	644,775,602	2%
<b>Total Liabilities</b>	<b>5,693,560,328</b>	<b>4,952,055,797</b>	<b>15%</b>
Equity attributable to equity holders of ArthaLand Corporation			
Capital stock	989,757,136	989,757,136	0%
Additional paid-in capital	2,031,441,541	2,031,441,541	0%
Retained earnings	2,022,778,313	2,098,281,063	-4%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	3,022,025	3,022,025	0%
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
	5,050,437,597	5,110,001,765	-1%
Non-controlling interests	12,742,492	(414,731)	3173%
<b>Total Equity</b>	<b>5,047,242,507</b>	<b>5,109,587,034</b>	<b>-1%</b>
<b>Total Liabilities and Equity</b>	<b>P 10,740,802,835</b>	<b>P 10,061,642,831</b>	<b>7%</b>

The Company's total resources increased by 7% from P10.1 billion to P10.7 billion as of March 31, 2017 and December 31, 2016, respectively, due to the following:

*25% Decrease in Cash and Cash Equivalents*

The decrease was attributable to funds used to finance the normal working capital requirements of the business during Q1 2017.

*21% Decrease in Financial assets at fair value through profit or loss (FVPL)*

The reduction was due to partial termination of money market placements which were subsequently used to finance acquisition of properties for development as well as to fund ongoing projects of the group.

*6% Increase in Trade and Other Receivables*

The increase refers to the outstanding balances on the few remaining Tower 2 units that were sold during the first quarter of 2017.

*48% Increase in Real Estate for Sale*

The increase was attributable to the cost of land acquired in the first quarter of the year as well as additional costs incurred on an ongoing construction project.

*7% Increase in Investment Properties*

The increase was due to additional construction costs of ACPT for the quarter.

*13% Increase in Property and Equipment*

The increase was due to cost of office equipment acquired in the first quarter.

*78% Increase in Net Deferred Tax Assets*

The increase was mainly due to the tax effect of CLLC's NOLCO.

*86% Increase in Other Assets*

The increase was largely accounted for by VAT inputs from the property acquired during the first quarter as well as those from various deposits and billings paid to Contractors / Suppliers.

*78% Increase in Accounts Payable and Other Liabilities*

The increase represents liabilities recognized during the first quarter arising from the purchase of land as well as from contractors of ongoing construction projects which are settled and paid in subsequent months.

*6% Decrease in Due to a Related Party*

The decrease was due to the partial conversion of a shareholders' advances to CLCC to fully pay its outstanding capital subscription balance.

*3173% Increase in Non-controlling interests*

The increase was due to conversion of a shareholder's advances to equity, net of current period's share in net loss.

**FINANCIAL RATIOS**

March 2017 vs December 2016

	<b>MARCH 31 2017</b>	<b>DECEMBER 31 2016</b>	<b>% Change</b>
Current/Liquidity Ratio	<b>2.50:1</b>	3.24:1	-24%

(Current Assets over Current Liabilities)			
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.001:1</b>	0.052:1	-99%
Debt-to-equity Ratio (Total liability over total equity*)	<b>1.13:1</b>	2.51:1	16%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity*)	<b>0.32:1</b>	1.27:1	3%
Asset-to-equity Ratio (Total assets over total equity*)	<b>2.13:1</b>	3.51:1	8%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>1.73:1</b>	8.69:1	-89%
Profitability Ratio (Net income attributable to equity holders of Arthaland Corporation over total equity)	<b>0.001:1</b>	0.12:1	-99%

*\*based on consolidated equity*

## RESULTS OF OPERATIONS

March 2017 vs March 2016

	<b>MARCH 31 2017</b>	MARCH 31 2016	% Change
Revenues	<b>P 265,283,245</b>	P 279,673,414	-5%
Cost of sales and services	<b>(163,811,702)</b>	(199,622,877)	-18%
Gross Profit	<b>101,471,542</b>	80,050,537	27%
<b>OPERATING EXPENSES</b>			
Administrative expenses	<b>66,101,224</b>	67,661,613	-2%
Selling and marketing expenses	<b>17,042,613</b>	16,058,065	6%
	<b>83,143,837</b>	83,719,678	-1%
<b>OPERATING PROFIT (LOSS)</b>	<b>18,327,705</b>	(3,669,141)	-600%
<b>OTHER OPERATING EXPENSES (INCOME)</b>			
Finance costs	<b>23,244,583</b>	9,046,817	157%
Other income - net	<b>(14,265,570)</b>	(57,254,533)	-75%
	<b>8,979,013</b>	(48,207,716)	-119%
<b>PROFIT BEFORE TAX</b>	<b>9,348,693</b>	44,538,575	-79%
<b>TAX EXPENSE</b>	<b>2,980,455</b>	23,940,067	-88%
<b>NET PROFIT</b>	<b>P 6,368,238</b>	P 20,598,508	-69%

Quarter on quarter, the group's Q1 2017 consolidated net income before other comprehensive income of Php6.4M was 69% lower than Q1 2016.

*18% Decrease in Cost of Sales and Services*

The decrease in cost of sales was directly related to the decrease in revenues from sales of the few remaining units in Tower 2.

*6% Increase in Selling and Marketing Expenses*

The increase was largely attributed to the sustained marketing efforts and activities for the Cebu Exchange project.

*157% Increase in Finance Costs*

The increase was due to the higher level of outstanding interest bearing loan balance as of Q1 2017 which the company has availed of over time since Q2 2016 to finance part of its working capital requirements and property acquisitions.

*75% Decrease in Other Income - net*

The decrease was largely due to a substantial amount of "Day 1 Gain" recognized in Q1 2016.

*88% Decrease in Tax Expense*

The decrease was mainly due to lower income in the first quarter of 2017 as compared to previous period.

**RESULTS OF OPERATIONS**

March 2017 vs December 2016

	<b>MARCH 31 2017</b>	DECEMBER 31, 2016	% Change
Revenues	<b>P 265,283,245</b>	P 451,075,061	-41%
Cost of sales and services	<b>(163,811,702)</b>	(393,674,538)	-58%
Gross Profit	<b>101,471,542</b>	57,400,523	77%
OPERATING EXPENSES			
Administrative expenses	<b>66,101,224</b>	298,360,928	-78%
Selling and marketing expenses	<b>17,042,613</b>	66,767,530	-74%
	<b>83,143,837</b>	365,128,458	-77%
OPERATING PROFIT (LOSS)	<b>18,327,705</b>	(307,727,935)	-106%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	<b>23,244,583</b>	80,348,345	-71%
Gain on change in FV of investment properties		(1,417,865,206)	-100%
Other income - net	<b>(14,265,570)</b>	(147,643,198)	-90%
	<b>8,979,013</b>	(1,485,160,059)	-101%
PROFIT BEFORE TAX	<b>9,348,693</b>	1,177,432,124	-99%
TAX EXPENSE	<b>2,980,455</b>	355,015,749	-99%
<b>NET PROFIT</b>	<b>P 6,368,238</b>	P 822,416,375	-99%

The Company posted a net income of P6.4 million in the first quarter of 2017 as compared with the 2016 full year net income of P822.4 million.